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14 Revaluation reserve

Opening balance	9 813 137	9 813 137
Change during the year	-	9 813 137

15 HOUSING OPERATING ACCOUNT

The Housing Operating Account is represented by the following assets and liabilities:

Fixed Assets	2 317 144	2 757 889
Housing Inventory	167 164	167 164
Debtors	261 030	190 094
Debtors: Department of Housing	251 934	251 934
Accumulations	5 842 609	5 591 598
Prepaid debtors	(111 725)	(230 523)
	8 728 156	8 728 156

16 LEASES

Minimum lease payments due

Within one year	-	4 131
less: Future finance charges	-	4 131
Present value of minimum lease payments	-	4 098
Present value of minimum lease payments due	-	4 098

All finance leases have been fully paid up
Present value of minimum lease payments due
Within one year

OPERATING LEASES

OPERATING LEASES - RECEIVABLES
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:

No later than 1 year	645 084	614 366
Later than 1 year and no later than 5 years	2 919 413	2 780 394
Later than 5 years	2 595 482	3 379 586
	6 159 979	6 774 346

Salient leases
The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.

OPERATING LEASES - PAYABLES
The future minimum lease payments payable under operating leases for the actual payables are as follows:

No later than 1 year	346 756	1 844 906
Later than 1 year and no later than 5 years	-	346 756
Later than 5 years	-	-
	346 756	2 191 662

The municipality has entered into lease agreement with 311 investments (PTY) LTD for the occupation of premises. The lease runs for a period of 3 years, terminating on the 31 August 2018, with an option to extend for a further 2 years. Real rental expense escalates at 8% per annum. The municipality has subsequently extended the lease agreement for a further year.

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17 Unspent conditional grants, receipts and Public contributions

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts:
Department of Minerals and Energy DME (INEP)
Museum
Department of Sports and Recreation
Municipal Assistance Programme
New library
Disaster Rough Seas
Housing Accreditation
Ballito Junction Road
IFA Huletts Sports Facility
IFA Huletts Beach Node Development

15 924 506	52 234 440
94 541	182 596
284 401	284 402
491 516	511 360
-	191 449
17 747 140	17 244 341
11 333 093	7 033 374
1 842 953	4 289 492
4 516 290	9 371 204
	47 199 576

18 Current Provisions

Reconciliation of Current provision

Reimbursement of Developers Contribution
Opening balance
Additions to provisions
Utilised during the year
Reversed during the year
Total

Rehabilitation of Landfill Site
Opening balance
Additions to provisions
Utilised during the year
Reversed during the year
Total

14 532 269	16 323 990
-	1 428 862
362 860	1 355 656
-	73 206
-	-
1 791 722	1 428 862
	1 428 862

Reconciliation of Non - Current provision - 2018:

Rehabilitation of Landfill Site
Opening balance
Additions to provisions
Utilised during the year
Reversed during the year
Total

Total Non - Current Provision:

9 341 829	9 116 724
-225 105	9 116 724
-	
16 323 990	25 440 715
9 116 724	

Total Current Provision:
Total Non - Current Provision
Total Provisions:

19 Long term Liabilities

Non Annuity Loans - Bank Loans

Bear interest at 8.23% to 10.60% and is redeemed in bi-annual instalments, including interest, over varying periods until 2032.

Utilisation of Long Term Liabilities

Long term liabilities have been used to finance Property, Plant & Equipment. The facility not yet utilized as at 30 June 2018 is R2 186 333.

Non Annuity Loans
Current portion transferred to Current Liabilities
Total Long Term Liabilities

230 257 585	230 257 585
(9 329 526)	(8 684 418)
220 928 059	230 257 585

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20 TRADE & OTHER PAYABLES

Trade payables	90 981 905
Payments received in advance	21 239 726
Other creditors	15 971 888
Housing Agency Creditor - Department of Human Settlements	32 654 544
Cheques payments not yet presented to bank	-
Deposits - other	4 950 888
Staff leave	14 439 612
Staff bonus	14 567 198
Retentions	19 924 352

Payments in advance includes prepaid electricity accruals

21 Deposits

Consumer Deposits in respect of:
Electricity

32 018 269	31 393 486
------------	------------

22 Service charges

Sale of electricity
Refuse removal

735 457 381	681 463 439
57 437 378	62 148 878
792 894 760	743 612 317

23 Other Income

Contributions demand based
Building plan fees
Sundries
Electricity availability
Proceeds from insurance
Admin charges
Sundry income
Special Rating Areas Income
Adjustments to provision for developers contribution
Expropriated properties and land identified

21 564 172	16 151 674
4 900 567	5 854 267
-	2 003 543
3 154 166	2 788 452
611 331	1 157 340
11 267 605	1 449 291
13 458 057	10 736 416
10 763 079	8 195 872
-	11 039 076
-	35 110 000
65 718 977	94 485 931

24 Investment revenue

Interest revenue
Total interest Earned on Investments & Bank Accounts

32 256 592	32 512 332
------------	------------

25 PROPERTY RATES

Residential
Commercial
Residential for commercial purposes
Education and State
Agriculture
Vacant
Public Service Infrastructure
Total Actual Assessment Rates
Property rates - penalties imposed
Assessment rates including Penalties

206 075 688	174 756 337
109 167 457	101 864 407
1 343 355	1 243 318
5 855 782	5 404 430
2 818 857	2 589 124
65 714 501	59 172 415
1 465 524	1 415 373
392 441 164	346 445 404
11 281 177	10 536 945
403 722 341	356 982 349

	2018	2017
Property Valuations		
Residential	38 204 670 500	37 464 898 500
Commercial	5 589 516 000	5 637 286 000
Residential for commercial purposes	190 040 000	190 040 000
Education and State	293 570 000	292 590 000
Municipal	567 936 000	574 371 000
Agriculture	3 490 348 000	3 464 638 000
Vacant	3 677 502 000	3 596 439 000
Land reform	1 189 756 000	1 193 388 000
Monuments	2 019 000	2 019 000
Public Service Infrastructure	3 211 005 000	3 210 992 000
Worship / Public Benefit Organisations	168 348 000	166 428 000
Total Property Valuations	56 584 710 500	55 793 089 500

The last general valuation came into effect on: 01.07.2014

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 (MPRA) with effect from 01/07/2007

Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on an on-going basis. The adjustments take into account consolidations and subdivisions as well as property category changes.

Assessment rates: Cents in the rand on market valuation as follows:

Residential, informal settlements, land reform, monuments	0.686	0.635
Residential for commercial purposes	0.752	0.696
Agricultural	0.172	0.159
Industrial, business and commercial, vacant, public infrastructure, Municipal owned and worship	2.122	1.965
Properties used by an organ of state and used for public service purposes	2.122	1.965
Guest houses	1.912	1.770
Public service infrastructure	0.172	0.159

Improved residential properties: in addition to the statutory reduction of R15 000, a further reduction of R85 000 is approved for property values exceeding R130 000. Persons owning improved residential property with a rateable value of R130 000 and below will be not be liable for the payment of rates.
The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates.

Rebates:

Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners	25%	25%
Pensioners under 65 years	30%	30%
Pensioners between 65 & 75 years	35%	35%
Pensioners older than 75 years	100%	100%
Industrial incentives including:		
In the first year, thereafter phased out by 10% per annum down to 60%	100%	100%
Residential Developers incentives		
In first & second year thereafter phased out by 10% per annum	100%	100%
Bona fide Agricultural properties	50%	50%

Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2017/2018 financial year:

On an annual basis, by application, and the final date of payment being: On a monthly basis, and the final dates of payment being the last working day of the month from August 2017 to June 2018.
Interest is levied on outstanding rates per annum at: 15.5% per annum
15.5% per annum
30 September 2017
30 September 2016

25 Property rates (continued)

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Plus collection charges two months after the final date of payment in respect of annual rate payers and 01 July in respect of monthly rate payers:

10% 10%

26 GOVERNMENT GRANTS AND SUBSIDIES

Operating grants	
Equitable Share	131 541 000
Municipal Infrastructure Grant	62 562 000
Financial Management Grant	1 800 000
Department of Minerals and Energy	2 166 852
New Library Grant	3 045 000
Library Subsidy	183 000
Museum	191 449
Disaster Rough Seas	-
Neighbourhood Development Partnership Grant	-
Ethembeni / Charlotdale Precinct	-
Expanded Public Works Programme	1 565 000
Housing Accreditation	3 555 242
Department of Sports and Recreation	88 055
207 281 442	
207 716 606	

Balance unspent at the beginning of year	131 541 000	116 642 000
Current year receipts	(131 541 000)	(116 642 000)
Conditions met – transferred to revenue	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		

Municipal Infrastructure Grant		
Balance unspent at beginning of year	62 562 000	61 330 000
Current year receipts	(62 562 000)	(61 330 000)
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 17)		

Financial Management Grant		
This grant was used for road & storm water infrastructure, including the construction of community halls, creches and sports fields.		
Current year receipts	1 800 000	1 725 000
Conditions met - transferred to revenue	(1 800 000)	(1 725 000)
Conditions still to be met - remain liabilities (see note 17)	-	-
This grant is used to assist the municipality to implement financial reforms required by the MFMA.		

Department of Minerals and Energy Grant		
Balance unspent at beginning of year	8 091 358	10 000 000
Current year receipts	(2 166 852)	(1 908 642)
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 17)		

This grant is used for electrification projects as part of upgrading of informal settlement areas.

New Library Grant

Balance unspent at beginning of year	511 360	341 643
Current year receipts	564 000	537 000
Conditions met - transferred to revenue	(583 844)	(367 283)
Conditions still to be met - remain liabilities (see note 17)		

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This Grant is used for the payment of the cyber cadets at the Shakaskraal and Kwadukuza libraries.

Department of Sports and Recreation

Balance unspent at beginning of year	182 596	182 596
Current year receipts	(88 055)	-
Conditions met - transferred to revenue	94 541	182 596
Conditions still to be met - remain liabilities (see note 17)		

This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.

Municipal Assistance Program

Balance unspent at beginning of year	284 401	284 401
Current year receipts	-	-
Conditions met - transferred to revenue	284 401	284 401
Conditions still to be met - remain liabilities (see note 17)		

This grant is used to strengthen credit control and debt collection processes.

Museum

Balance unspent at beginning of year	-	183 000
Current year receipts	183 000	(183 000)
Conditions met - transferred to revenue	-	(361 027)
Conditions still to be met - remain liabilities (see note 17)		

This grant is for the Museum expenditure incurred.

Disaster Rough Seas

Balance unspent at beginning of year	191 449	836 320
Current year receipts	-	-
Conditions met - transferred to revenue	-191 449	(644 871)
Conditions still to be met - remain liabilities (see note 17)		191 449

This grant is from Department of Provincial Local Government for the clean up operations on the beaches.

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	-	15 690 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(15 690 000)
Transferred to National Revenue Fund	-	-
Conditions still to be met - remain liabilities (see note 17)		

Ethembeni / Charlotdale Precinct

Balance unspent at beginning of year	-	117 614
Current year receipts	-	-
Conditions met - transferred to revenue	-	(117 614)
Conditions still to be met - remain liabilities (see note 17)		

This grant is for community upliftment

Expanded Public Works Program

Balance unspent at beginning of year	-	-
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EPWP grant funding is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured.

26 Government grants and subsidies (continued)

Library Subsidy

Balance unspent at beginning of year	3 045 000	-
Current year receipts	(3 045 000)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 17)	-	-

This grant is used to fund operational expenditure within the various libraries in Kwadukuza.

Housing Accreditation Grant

Balance unspent at beginning of year	17 244 343	17 747 141
Current year receipts	4 058 040	(3 555 242)
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 17)	-	-

This grant is for community upliftment

27 Public Contributions

IFA Hullellets Sports Facility
Ballito Junction Road
IFA Hullellets Beach Node Development

2 446 539	716 968	8 018 421
4 854 914	-	-
8 018 421	-	-

20 694 070	5 016 687	17 692 336
-8 018 421	-	-
17 692 336	-	-

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Balance unspent at end of year (Note 16)

Conditions still to be met - remain liabilities (see note 17)

28 Employee related costs

The above disclosure is subject to amendments with reallocation between Councilors allowances and Employee related costs

Basic	191 760 785	13 418 871
Bonus	13 418 871	19 447 540
Medical aid - company contributions	1 655 413	2 775 027
UIF	88 613	88 613
SDL	7 123 048	8 672 326
Industrial council levies	39 024 006	13 410 452
Traveling allowances	806 150	-
Overtime payments	-	1 134 330
Housing benefits and allowances	35 244 814	6 629 249
Workmans Compensation	6 629 249	341 190 610
Group Life Assurance	2 339 891	994 748
Pension Contributions	30 924 772	6 200 429
Standby, Uniform, Telephone and Tool allowances	174 889 493	13 454 122
	18 811 478	1 613 965
	2 592 978	88 151
	4 726 598	2 109 161
	12 910 445	48 064 526
	773 527	2 339 891
	994 748	30 924 772
	6 200 429	174 889 493
	320 494 284	341 190 610

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Remuneration of the Municipal Manager	1 660 918	1 695 245
Total cost to Council		
Remuneration of the Chief Finance Officer	1 091 338	1 038 850
Annual remuneration	475 104	437 628
Car allowance	219 492	228 512
Contributions to UIF, medical and pension funds	1 785 934	1 704 990
Executive Director: Economic Development & Planning	1 140 242	1 013 177
Annual remuneration	96 000	96 000
Car allowance	260 266	244 772
Contributions to UIF, medical and pension funds	1 496 508	1 353 949
Executive Director: Corporate Services	1 315 651	1 178 701
Annual remuneration	96 000	96 000
Car allowance	15 808	14 432
Contributions to UIF, medical and pension funds	1 427 459	1 289 133
Executive Director: Community Safety	1 319 652	1 507 642
Annual remuneration	92 000	36 000
Car allowance	15 816	17 241
Contributions to UIF, medical and pension funds	1 427 468	1 560 883
Executive Director: Community Services & Public Amenities	1 062 616	1 236 955
Annual remuneration	180 000	180 000
Car allowance	186 280	164 501
Contributions to UIF, medical and pension funds	1 428 896	1 581 456
Chief Operations Officer	1 080 542	950 160
Annual remuneration	185 400	185 400
Car allowance	228 343	219 060
Contributions to UIF, medical and pension funds	1 494 285	1 354 620
Executive Director: Civil Engineering & Human Settlements	1 129 619	1 012 006
Annual remuneration	96 000	96 000
Car allowance	199 025	177 817
Contributions to UIF, medical and pension funds	1 424 644	1 285 823
Executive Director: Electrical Engineering Services	585 113	-
Annual remuneration	165 000	-
Car allowance	111 510	-
Contributions to UIF, medical and pension funds	861 623	-
29 REMUNERATION OF COUNCILLORS		
Mayor	786 369	731 034
Deputy Mayor	637 253	599 733
Speaker	626 474	589 599
Executive Committee (EXCO)	5 731 665	4 769 926
Councillors	12 239 320	10 697 755
Councillors' pension contribution	1 747 969	1 459 289
Traditional leaders	42 600	62 400
Potential reallocation to salaries	5 218 977	-
The above disclosure is subject to amendments with reallocation between Councillors allowances and Employee related costs	27 030 627	18 909 736

	2018	2017
30 Depreciation and amortisation		
Property, Plant & Equipment	63 543 858	58 553 588
Intangible assets	2 711 765	2 667 500
	<u>66 255 627</u>	<u>61 221 088</u>
31 Impairment of assets		
Impairments	4 075 102	2 212 551
Property, Plant & Equipment		
32 Finance costs		
Finance costs on borrowings	23 102 861	24 515 486
33 Debt impairment		
Contributions to debt impairment provision	16 544 318	16 226 622
Bad debts written off	355 569	2 048 230
	<u>16 899 888</u>	<u>18 274 852</u>
34 Bulk purchases		
Electricity	568 218 290	552 550 861
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 0.31% tariff hike in favour of Eskom for the 2017/2018 financial year.		
35 GENERAL EXPENSES		
Included in general expenses is the following:-		
Dump charges	-	11 226 439
Replacement of faulty meters	-	18 690
Indigent support - parks and gardens department	-	10 964 632
Indigent support - waste management department	-	2 519 677
Security services	-	15 421 218
Shark control expenditure	3 907 193	3 574 301
Call out to consumer complaints	1 985 194	2 964 434
Legal costs	4 959 591	4 663 842
Marketing	-	901 200
Audit fee - external audit	3 895 184	3 213 570
Bank charges	2 891 295	2 745 941
Insurance general	2 204 324	2 097 202
Refuse bags/contract	-	3 584 890
Valuations & valuation rolls	-	721 342
Ward Committee members	4 032 300	2 341 206
Bailito Pro expenditure	7 554 041	7 938 970
Advertising	-	1 526 309
Printing, Stationery & postage	3 419 755	3 728 500
Subscriptions	-	3 076 485
Water & Sanitation	3 226 485	7 298 928
Sundry Oils & Fuels	-	4 544 881
Street lighting consumption	-	2 270 100
Staff & councillor training costs and bursaries	-	1 626 376
Traveling & subsistence	3 745 781	4 189 243
Telephone calls / rentals	3 771 312	3 240 543
Protective clothing	-	675 273
Non standard service connection	4 494 695	2 775 064
Software support & licences and agreements	55 201 659	39 770 757
Miscellaneous Expenses	-	4 333 424
Professional Fees	10 233 004	8 031 402
Special Rating Area Expenditure	-	1 252 098
mSCOA Implementation	1 846 273	1 708 253
Rent of Property / Offices / House	2 240 008	4 139 362
EPWP	419 020	2 178 433
Housing Accreditation	-	2 559 851
Public Affairs	-	3 521 482
Sukuma Sakhe	2 142 385	-

KwaDukuza Music Festival	1 800 000	1 856 842
Kwanaloga Games	1 253 188	1 174 821
TOTAL GENERAL EXPENSES	125 222 689	184 614 182
Included in General Expenses are various categories which are in the process of being unbundled as a result of revised MSCOA classifications. If required this will also result in a prior year re-classification		

36 Fair value adjustment		
Investment property (Fair value model)	6 095 000	5 765 000

37 Commitments		
Authorised capital expenditure		
Approved and Contracted for:		
Infrastructure	74 718 305	79 183 156
Community	19 417 608	25 751 393
Total capital commitments	94 135 913	104 934 549
Approved and Contracted for:		
Capital Commitments are exclusive of VAT		

38 Contingent liabilities

Details of Contingent Liabilities

Reimbursement of capital costs of bulk supply to developers: (Vat Exc)		
The reimbursement is dependent on the developers meeting future targets as set out in the service level agreements. The timing and outcome of the reimbursements cannot presently be determined and therefore no provision for any liability that may result has been made in the financial statements.	128 940 282	128 940 282
Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street.	260 000	260 000
Municipality is being sued by S Governder pertaining to a collision involving a vehicle owned by the Municipality.	130 000	130 000
S T B Diamini -Allegations of the Municipality's contractors encroaching onto grave sites.	100 000	100 000
Municipality is being sued for damages - plaintiff shot in leg by municipal employee using a municipal firearm.	150 000	150 000
Inqubeko Yamaqungebe Trading - claim against the municipality where the plaintiff alleges that the municipality unilaterally terminated the contract which had been concluded by the parties.	75 000	75 000
SMADA Construction - municipality is being sued for contractual damages due to cancellation of contract.	200 000	200 000
R Lutchman - Claim against the municipality due to damages to vehicle caused by pot holes.	8 192	8 192
N Dube and V Hlatwayo - claim against the municipality arising from vehicle collision with municipal vehicle.	18 950	18 950
T Mthembu - claim against the municipality due to damages to vehicle caused by pot holes	10 012	10 012
Ibhongo Consulting - the supplier claims that certain work undertaken has not been paid.	418 352	418 352
V Governder - municipality is being sued due to plaintiff suffering damages after falling into uncovered manhole.	135 000	-
R I Marais - Claim against the municipality	3 750 000	-

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134 195 788
130 310 788

39 Related parties and close family members

Related Parties

Councillor: R Singh
General Expenses for the year: 339 660
Balance outstanding at the end of the year: -
Nature of Transaction: The Council has entered into a contract for grasscutting with a relative of the Councillor.

Staff member: P Murugan
General Expenses for the year: 166 820
Balance outstanding at the end of the year: 141 800
Nature of Transaction: The brother of the employee provide pest control services to the municipality.

Councillor: B B Singh
General Expenses for the year: 569 540
Balance outstanding at the end of the year: 46 240
Nature of Transaction: The spouse of the Councillor owns a travel agency. Council conducted business with this CC.

Councillor: R Singh
General Expenses for the year: 108 027
Balance outstanding at the end of the year: 80 909
Nature of Transaction: The son of the Councillor owns a company that provide printing services. Council conducts business with this company.

Payments of remuneration to Senior Managers and Councillors - details of payments are set out in Notes 28 & 29

Awards to close family members of persons in the Service of the State:

Particulars of Award
Expenditure
Individual's name / Service Provider
Relation in Service of the State
State Employer
Melokuhle Trading
R 11 482
T Nzuza
Spouse
KwaDukuza Municipality
Loveshan Naicker Investments
R 287 250
L Naicker
Father
KwaDukuza Municipality
SMEC
R 523 969
M Phosa
Spouse
National Assembly
Conlog
R 674 764
Mr Moodley & Mr Gaxeni
Spouse
Kzn Dept of Health / Eskom
Particulars of Award
Expenditure
Individual's name / Service Provider
Relation in Service of the State
State Employer
Particulars of Award
Expenditure
Individual's name / Service Provider
Relation in Service of the State
State Employer

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40 Change in estimate

Property, Plant and equipment

The Municipality reviewed the useful lives of items of property, plant and equipment and intangible assets. Adjustments to these useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a result of this adjustment, the current year total depreciation increased by a net R1 516 594 and will continue to affect annual depreciation for the remainder of these assets' useful lives. The detail breakdown of the depreciation adjustment is as follows

	(1 516 594)	(2 323 806)
Buildings	(17 724)	1 221 594
Housing Assets	(9 337)	15 719
Electricity Infrastructure	(853 007)	(570 006)
Storm water	124 431	(1 822)
Roads Infrastructure	(136 852)	127 458
Solid Waste	(4 910)	(6 562)
Cemeteries	(906)	(7 234)
Furniture and Fittings	(1 034 527)	(1 341 921)
Vehicles	629 640	(1 762 690)
Intangible Assets	(199 189)	1 659
Leased Assets	(14 213)	-

41 Prior period errors

The comparatives for 2016/17 have been restated in respect of the following errors:

41.1 Restatement of Non-Exchange Receivables (Note 17)

Non - exchange receivables as previously reported

Adjustments to Rates Revenue 2016/17 in respect of Valuation Appeals.
Adjustments to Rates Revenue Prior 2016/17 in respect of Valuation Appeals.
Appeals.
Reallocation of income 2016/2017
Adjustments to sundry debtor in respect of in duplum interest
Adjustment to 2016/17 debtors in respect of legal fees

Restated balance as at 30 June 2017

41.2 Restatement of Trade & other payables (Note 7)

Trade & other payables as previously reported.

Adjustment to 2016/2017 expenditure Dolphin Coast refuse backupay
Adjustment to 2016/2017 street deposit and poster deposit refunds
Adjustments relating to payments to supplier for services rendered
Reversal of accrual in respect of Siza Water accounts
Adjustment to 2016/2017 electrical connection deposits written back to revenue
Adjustment to 2016/17 Trade and other payables due to outcome of Labour court settlement

Restated balance as at 30 June 2017

41.3 Restatement of VAT (Note 2)

VAT as previously reported

Adjustment to 2016/17 VAT in respect of Siza Water Accounts
Adjustment to 2016/17 VAT in respect of Dolphin Coast Waste Management payment

Restated balance as at 30 June 2017

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41.4 Restatement of Unspent Conditional Grants, receipts and Public contributions (Note 17)

Unspent Conditional Grants, receipts and Public Contributions as previously reported: 46 656 619
Adjustments to IFA Beach Node Public contributions due to error in transfer to revenue 542 957

47 199 576

Restated balance as at 30 June 2017

41.5 Restatement of Property, Plant & Equipment (Note 10)

Property, Plant & Equipment as previously reported: 1 872 800 105

Expropriated properties and land identified as owned by KDM as a result of land investigation project 35 110 000
DERECOGNITION OF LAND INCORRECTLY CAPITALISED DUE TO OLD NAMING CONVERSIONS - Dr Loss on disposal Cr Land 10 940 000
DERECOGNITION OF ELECTRIFICATION PROJECT-ESKOM 6 320 492
SUPPLIED AREAS-DONATION Dr Donation Expense Cr WIP 13 822 753
DERECOGNITION OF ELECTRIFICATION PROJECT-ESKOM Cr Electrical Infrastructure 13 822 753
DERECOGNITION OF ELECTRIFICATION PROJECT-ESKOM Cr Electrical Infrastructure 326 399
SUPPLIED AREAS-ACCUMULATED DEPRECIATION Dr Accumulated Depreciation Electrical Cr Depreciation 326 399
BUILDINGS CAPITALISED IN 2017 Dr Buildings Cr WIP (R5 146 570.94) -
ACCUMULATED DEPRECIATION-BUILDINGS-2017 Dr Depreciation Cr Accumulated Depreciation Buildings 75 210
ELECTRICAL CAPITALISED IN 2017 Dr Electrical Cr WIP (R18 229 600.27) -
ACCUMULATED DEPRECIATION -ELECTRICAL-2017 Dr Depreciation Cr Accumulated Depreciation Electrical 144 064
ROADS CAPITALISED IN 2015 Dr Roads Cr WIP (R1 631 016.68) 81 718
ACCUMULATED DEPRECIATION-2015 (Dr depreciation Cr Accumulated Depreciation Roads) (Split required for 16/17 and prior) -
ROADS CAPITALISED IN 2017 Dr Roads Cr WIP (R7 449 769.26) 27 868
ACCUMULATED DEPRECIATION-2017 (Dr Depreciation Cr Accumulated Depreciation Roads) 572.32
STORMWATER CAPITALISED IN 2017 (Dr stormwater Cr WIP R2 099 434.32) -
ACCUMULATED DEPRECIATION-STORMWATER 2017 Dr Depreciation Cr Accumulated Depreciation Stormwater 4 343
SOLID WASTE CAPITALISED IN 2017 Dr Solid Waste Cr WIP R125 000 -
ACCUMULATED DEPRECIATION-SOLID WASTE-2017 Dr Depreciation Cr Accumulated Solid Waste 308
FURNITURE & FITTINGS CAPITALISED IN 2017 Dr F&F Cr WIP R842 947.37 -
ACCUMULATED DEPRECIATION-FURNITURE & FITTING 2017 Dr Depreciation Cr Accumulated Depreciation F&F 48 927
DECOMMISSIONING OF ROADS-COST-2017 Dr loss on disposal Cr Roads 88 674
DECOMMISSIONING OF ROADS-ACCUMULATED DEPRECIATION-2017 Dr Accumulated Depreciation Roads Cr Depreciation 30 762
DECOMMISSIONING OF ROADS-ACCUMULATED IMPAIRMENT-2017 Dr Accumulated Impairment Cr Impairment 11 892
RECLASSIFICATION OF STREET LIGHTS-COST-2017 Dr Roads Cr Electrical 5(B)-RECLASSIFICATION OF STREET LIGHTS-ACCUMULATED DEPRECIATION-2017 Dr Accumulated Depreciation Electrical Cr Dep Roads -

1 876 724 803

Restated balance as at 30 June 2017

2018 R
2017 R

Reconciliation of Adjusted 2016/2017 Surplus:	
Surplus for the year as previously stated	158 601 364
Property rates:	
Adjustments to Rates Revenue 2016/17 in respect of Valuation Appeals	(1 400 933)
General Expenses:	
Adjustment to General Expenses 2016/2017 due to various payments.	(103 548)
Reversal of accrual in respect of Siza Water accounts	1 388 105
VAT adjustment in respect of Siza Water accounts	(170 469)
Transfer of electrical assets constructed by the municipality in 2016/2017 and handed over to Eskom.	-
Reallocation of expenses 2016/2017 from repairs and maintenance	(8 771 950)
Contracted Services:	
Adjustments to contracted services expenses due to Dolphin Coast	(2 168 294)
backpay	266 282
Adjustment to VAT component of payment to Dolphin Coast	(1 137 260)
Adjustments to contracted services expenses due to Dolphin Coast	(60 047 871)
backpay	
Reallocation of expenses 2016/2017 from repairs and maintenance	
Other Income	
Adjustment to street and poster deposits previously written back to revenue	(1 475)
Adjustments to trade and other receivables	(1)
Electricity contributions initially transferred to revenue now reallocated to Trade and other payables	(8 739)
Adjustment to 2016/17 debtor for legal fees	77 005
Asset Recognition - Land	35 110 000
Interest earned outstanding debtors	
Adjustment to interest income due to in duplum rule	(263 034)
Government Grants, subsidies & Public Contributions	
Adjustments to IFA Beach Node Public contributions transferred to revenue in error.	(542 957)
Employee Related costs	
Adjustments to 206/17 employee related costs due to outcomes of Labour court settlement	(30 447)
Loss on Disposal of Assets	
Derecognition of land	(10 940 000)
Derecognition of roads	(88 674)
Donation Expense	
Derecognition of electrification project (WIP)	(6 320 492)
Derecognition of electrification project (Electrical)	(13 822 753)
Depreciation	
Derecognition of electrification project (Eskom)	326 399
Depreciation on buildings	(75 210)
Depreciation on electrical infrastructure	(144 064)
Depreciation on roads	(78 824)
Depreciation on stormwater	(4 343)
Depreciation on solid waste	(308)
Depreciation on Furniture & Fittings	(48 927)
Impairment Loss	
Derecognition of roads	11 892
Repairs & Maintenance	
Reallocation of expenses 2016/2017 to general expenses and contracted services	68 819 821
	158 430 297

2018 R
2017 R

42 Cash flows from Operating Activities:

Operating Surplus before working capital	222 078 920	159 375 032
Adjustment for:		
Depreciation of Property, Plant and Equipment	63 543 879	58 578 863
Donations of assets	(10 953 556)	(2 873 732)
Gains on disposal of assets	-	-
Assets written off PPE	3 452 899	20 091 131
Impairment loss	4 075 102	2 200 659
Amortisation of intangible assets	2 711 765	2 667 500
Contribution to provision	14 670 024	1 280 904
Retirement obligation	4 263 169	8 033 134
Long service award	2 600 299	-
Investment Properties - Fair Value	(6 095 000)	(5 765 000)
Allowance for impairment	355 569	2 048 229
Bad debts written off	(32 256 592)	(32 512 332)
Interest earned on investments	23 102 861	24 515 485
Finance expense	308 093 656	253 866 494
Cash Generated by Operations	308 093 656	253 866 494
Operating Surplus before working capital	308 093 656	253 866 494
Movement in current assets and liabilities	(589 630)	399 022
(increase)/decrease in inventory	(589 630)	399 022
(increase)/decrease in trade and other receivables	5 034 864	22 899 801
(increase)/decrease in conditional grants and receipts	(48 289 672)	(57 599 300)
(increase)/decrease in Trade and Other Payables	8 253 451	6 214 849
increase/decrease in VAT	(1 309 710)	10 114 789
Opening balance restatement of accumulated surplus	271 192 958	235 895 656
43 Fines	19 729 568	21 039 564
Total revenue from Fines Income	19 729 568	21 039 564
Fines are issued in terms of S341 & S56 of the Criminal Procedures Act		
51 of 1977		

44 Contracted Services

Refuse removal	25 769 186	29 294 004
Grass cutting	-	17 232 995
Asset Management Services	246 579	257 555
Survey and facilitation fees for roads and housing projects	-	124 375
Advertising	-	52 381
Specialist financial and GRAP related services	-	434 837
Cemeteries	-	711 835
Forensic investigations	-	63 365
Storm water drains	17 414 956	13 848 905
Pothole repairs	15 613 706	5 197 629
Other Contracted Services	81 113 112	25 040 740
	140 157 539	92 258 620

Included in Other Contracted Services are various categories which are in the process of being unbundled as a result of revised mSCOA classifications. If required this will also result in a prior year re-classification

46 Events after the reporting date

NERSA has approved a 7.32 % increase in Eskom bulk purchase tariffs. The effect of this and the resultant increase in our Electricity Tariff has been fully catered for in terms of Council approved budget for the 2018/19 Financial Year.

47 Unauthorised expenditure

Overspending of amount appropriated in a vote

2 474 385

2018 R
2017 R

Reconciliation of Unauthorised expenditure written off		
Opening Balance	2 474 385	26 094 453
Incurred for the year	-	2 474 385
Written off by council	(2 474 385)	(26 094 453)
Remaining to be considered	-	2 474 385
48 Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure		
Reconciliation of Fruitless and Wasteful expenditure written-off by Council		
Opening Balance	3 718 033	3 718 033
Incurred for the year	20 000	-
Written Off by Council	-	3 718 033
Remaining to be considered	3 738 033	3 718 033
Reconciliation of Fruitless and Wasteful expenditure condoned by National Treasury		
Opening Balance	4 141 668	4 141 668
Incurred for the year	20 000	-
Condoned by National Treasury	-	4 141 668
Remaining to be considered	4 161 668	4 141 668
49 Irregular Expenditure:		
Other goods and/or services not procured through competitive bidding processes.		
Irregular expenditure pertaining to grass cutting contracts.	6 668 932	15 196 570
Section 36 approvals subsequently reclassified as irregular expenditure.	-	4 510 428
Irregular Expenditure (continued)	10 553 634	8 913 950
Irregular expenditure pertaining to banking services (FNB).		
Irregular expenditure pertaining to the procurement of refuse removal services.	-	138 786
Irregular expenditure pertaining to the procurement of security services.	1 158 648	14 901 897
Irregular Expenditure pertaining to Turnkey Appointments	65 965 960	166 352 753
Reconciliation of Irregular Expenditure Written-off by Council		
Opening Balance	475 085 152	227 269 062
Incurred for the year	127 689 576	247 816 090
Written-off by Council	(560 727 313)	-
Remaining to be considered	42 047 415	475 085 152
Reconciliation of Irregular Expenditure Condoned by National Treasury		
Opening Balance	637 350 571	389 534 481
Incurred for the year	127 689 576	247 816 090
Condoned by National Treasury	-	-
Remaining to be considered	765 040 147	637 350 571
50 Deviation from supply chain management regulations		
Emergency		
Sole Provider	8 503 530	6 264 956
Acquisition of social work of art or historic objects where specifications are difficult to compile	2 395 926	2 602 780
Any other exceptional case which it is impractical to follow the official procurement process	2 082 790	1 726 640
Section 36 deviation transferred to irregular expenditure	6 019 652	6 249 906
Total Section 36 deviations for the financial year	8 448 264	7 930 332

2018 R
2017 R

51 Repairs and Maintenance

Buildings	23 859 920	20 382 178
Solid waste	35 615	7 147
Electrical	21 706 524	15 508 122
Furniture and fittings	1 022 396	1 674 578
Housing	-	336 755
Roads	6 677 951	9 042 403
Stormwater	8 495 278	13 879 457
Vehicles	8 081 111	7 989 181
	<u>69 878 795</u>	<u>68 819 821</u>

52 Material losses incurred

Electricity distribution losses	93 913 322	96 239 311
Bad debts written off	269 963	2 048 430

Electricity energy losses of 107 539 479 kWh as at June 2018 (June 2017: 108 752 8732 kWh) occurred during the year which resulted in revenue loss amounting to R93 913 322 (June 2017: R 96 239 311). The National norm for electricity losses ranges from 6% to 12%. The energy loss incurred by the municipality as at June 2018 is 16.36% (June 2017: 17.01%) and is mainly due to transmission/distribution losses and illegal connections.

53 Councilor's Arrear consumer Accounts as at 30 June 2018

In terms of Section 124 (1) (b) the following particulars are disclosed in respect of any owed by individual councilors during the financial year: The following councilors had debt in excess of 90 days for the months stipulated below:

Councilor: V Goverder	July 2017	20 909
	August 2017	19 104
	September 2017	19 788
	October 2017	30 041
	November 2017	28 202
	December 2017	26 350
	January 2018	24 491
	February 2018	22 621
	March 2018	20 735
	April 2018	18 835
	May 2018	17 114
	June 2018	15 401
Councilor: V Goverder	July 2017	1 676
	August 2017	1 941
	September 2017	2 210
	October 2017	2 481
	November 2017	2 755
	December 2017	19 912
	January 2018	17 496
	February 2018	18 203
	March 2018	17 975
	April 2018	18 023
	May 2018	18 404
	June 2018	18 788

Councillor: V Governder	
July 2017	241 035
August 2017	244 909
September 2017	249 867
October 2017	253 999
November 2017	259 574
December 2017	264 822
January 2018	269 301
February 2018	274 697
March 2018	279 507
April 2018	284 618
May 2018	289 415
June 2018	294 965

In terms of S124 (1) (b) the above are disclosed in respect of any arrears owed by individual Councillors during the financial year. The above accounts relate to one councillor and he has entered into a agreement with the municipality to settle his debt. The Councillor had debt in excess of 90 days for the months as stipulated.

54 Contributions to Organised Local Government

Amount paid current year -3 419 755 (3 075 474)

55 Audit Fees

Amount paid - current year -4 443 714 (3 663 470)

56 VAT

VAT received for the year -
VAT paid for year -
VAT input receivables and VAT output payables are shown in Note 11.

All VAT returns have been submitted by the due date throughout the year.

57 PAYE and UIF

Current year payroll deductions -54 064 642 (49 610 289)

58 Pension and Medical Aid deductions

Current year payroll deductions and council contributions -88 136 026 (76 944 255)

59 Budget differences

Only significant Operating Variances between the Final Actual and the Adjusted Budget are discussed further :
Significant for the purposes of this note is defined as exceeding 10% and R 5 Million

Statement of Financial Performance

Revenue from Exchange Transactions:

The 2 major contributors to this increase is the stores handling fees and electricity contributions which runnatively amount to approximately R 32 Million.

Given the anticipated capital expenditure and the significant % spend in the prior year , the budget was based on the principle of prudence. However not only was the capital budget spent later in the year , but also the expenditure was not as significant as anticipated. Hence the increased capital available to earn interest.

2018	R
2017	R

Revenue from Non-Exchange Transactions:

Transfer Revenue
Government grants and subsidies
This is due to a re-allocation of the MIG Grant between the NT and GRAP reporting Framework. Please refer to the Grant note to obtain further details of the specific grants.

Fines
Less fines were issued than initially anticipated.

Expenditure
Remuneration of Councilors
There is a potential re-allocation from Councilors costs to Salaries. This is current being reviewed by the Payroll section.

Depreciation, amortisation and impairment / reversal of impairment
Due to various AUC projects not being finalised , capitalisation and depreciation were delayed.
Finance Costs
As a result of a potential loan not been accessed , this delayed the payment of the interest.

Debt Impairment
There were certain payments of long outstanding debots as well as increased focus on the outstanding debt by Council..

45 FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

45.1 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

	2018			2017		
	1 Year or less	1 - 5 years	Total	1 Year or less	1 - 5 years	Total
Gross finance lease obligations	9 329 526	220 928 059	230 257 585	4 098	238 942 003	243 040 098
Long Term Borrowings	214 730 112	-	214 730 112	206 476 661	-	206 476 661
Trade and other payables	32 018 269	-	32 018 269	31 393 486	-	31 393 486
Foreign Currency	3 339 648	-	3 339 648	3 396 848	-	3 396 848
Government Grants	52 234 440	-	52 234 440	47 199 576	-	47 199 576
	311 651 994	220 928 059	532 580 053	297 155 087	230 257 585	527 412 672
Gross finance lease obligations	4 098	-	4 098	8 684 418	230 257 585	238 942 003
Long Term Borrowings	206 476 661	-	206 476 661	31 393 486	-	31 393 486
Trade and other payables	3 396 848	-	3 396 848	3 396 848	-	3 396 848
Foreign Currency	47 199 576	-	47 199 576	47 199 576	-	47 199 576
Government Grants	297 155 087	230 257 585	527 412 672	297 155 087	230 257 585	527 412 672

45.2 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

	2018		2017	
	2018	2017	2018	2017
Short term investments	106 872 971	121 460 543	106 872 971	121 460 543
Cash and Cash Equivalents	404 496 472	270 209 148	404 496 472	270 209 148
Interest rate swaps	-	-	-	-
Financial guarantees	-	-	-	-
Trade and other receivables	208 783 688	177 393 921	208 783 688	177 393 921

45.3 Market Risk:

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates. At year end, financial instruments exposed to interest rate risk were as follows:

	2018		2017	
	2018	2017	2018	2017
Call deposits	-	-	-	-
Investment deposits	-	-	-	-
Bank balances and cash	404 496 472	270 209 148	404 496 472	270 209 148
Short term investments	106 872 971	121 460 543	106 872 971	121 460 543
Maximum interest exposure	511 369 443	391 669 691	511 369 443	391 669 691

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

ANNEXURE J:
CASH AVAILABLE IN BANK-BANK
STATEMENT



03 JULY 2018

Confidential

Our Reference: 69860312

Ons verw

Certificate for Income Tax Purposes
Sertifikaat vir Inkomste belasting doeleindes

For the Tax year ending

Vir die belasting jaar eindig

From: 01.07.2017

Van:

Client name/code: KWADUKUZA LOCAL MUNICIPALITY

Klient naam/kode

Tax code: IT/IB3(b)

Belastingkode:IT/IB3(b)

ID/Registration no: N/A
ID/Registrasie no

Tot:

To: 30.06.2018

Type of account	Account number	Rekening nommer	Capital	Interest Capitalised	Interest	Opgelepte Rente	Taxable interest	Debit interest
FIXED D	20-7316-6734	14 327 013.91		769 006.87	352 420.99	1 121 427.86		0.00
PSMUNGA	40-8762-7126	*41 628 199.32		1 161 455.40	110 440.42	1 271 895.82		0.00
GROWBUS	40-8888-9105	28 239 818.58		952 656.45	115 838.54	1 068 494.99		0.00
GROWBUS	40-8889-0196	895 654.07		43 063.35	3 693.33	46 756.68		0.00
GROWBUS	40-8889-0536	1 333 848.48		124 103.23	10 865.17	134 968.40		0.00
GROWBUS	40-8889-1427	50 757.34		2 418.40	208.59	2 626.99		0.00
GROWBUS	40-8889-2732	65 053.95		3 085.33	267.35	3 352.68		0.00
GROWBUS	40-8889-3047	164 316.11		7 715.86	675.27	8 391.13		0.00
GROWBUS	40-8889-3306	42 388.02		2 030.20	174.20	2 204.40		0.00
GROWBUS	40-8889-3526	28 776 050.42		660 327.76	118 257.74	778 585.50		0.00
CALL	90-6713-7932	0.00		0.00	0.00	0.00		0.00
LIQPLUS	93-1800-0892	75 518 826.27		5 923 956.38	751 654.68	6 675 611.06		0.00
LIQPLUS	93-2106-3433	2 634 332.32		144 616.42	12 882.97	157 499.39		0.00
LIQPLUS	93-2188-9635	3 506 348.56		192 485.25	17 147.49	209 632.74		0.00
LIQPLUS	93-2189-0113	239 867.79		13 073.80	1 163.19	14 236.99		0.00
LIQPLUS	93-2189-0529	769 923.30		41 940.68	3 733.60	45 674.28		0.00
LIQPLUS	93-2189-0676	208 614.83		11 370.59	1 011.64	12 382.23		0.00

Gats Bank account

Mobil Account

LIQPLUS	93-2199-2298	693 692.51	37 788.86	3 363.93	41 152.79	0.00
LIQPLUS	93-2355-6707	11 087 293.26	613 410.13	54 677.06	668 087.19	0.00
LIQPLUS	93-2688-5911	5 416 334.68	297 330.52	26 488.10	323 818.62	0.00
LIQPLUS	93-3009-8057	134 946 317.26	7 216 203.80	665 488.69	7 881 692.49	0.00
LIQPLUS	93-3046-2759	2 219 717.57	120 011.32	10 855.33	130 866.65	0.00
LIQPLUS	93-3252-2727	5 222 357.76	205 917.76	25 539.48	231 457.24	0.00
LIQPLUS	93-3924-6273	12 076 955.29	61 230.97	59 557.59	120 788.56	0.00

*40-8762-7126-Balance as at 30/06/2018 including backdated transactions R41 619 652.93.

This is to certify to the above amount(s) was/were credited or paid to you during the tax year.

Hiermee word verklaar dat die bogenoemde bedrag/bedrae aan u uitbetaal of gekrediteer is gedurende die belastingjaar

Note: This certificate does not cater for Section 24J of the Income Tax Act.

Let Wel: Hierdie sertifikaat maak nie voorsiening vir die Artikel 24J van die inkomstebelasting wet nie.

Information and calculations are based on transactions and information available on our banking applications for the period under review.

Inligting en berekenings is gebaseer op transaksies en inligting wat vir die oorsigtydperk op ons banktoepassings beskikbaar is.

Tamara Dayanand
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